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IN THE
Supreme Court of the United States
October Term, 1987

UMC ELECTRONICS COMPANY,

Petitioner,

vs.

THE UNITED STATES OF AMERICA,

Respondent.

On Writ of Certiorari to the United States
Court of Appeals for the Federal Circuit

**BRIEF, AMICUS CURIAE, FOR THE AMERICAN
INTELLECTUAL PROPERTY LAW ASSOCIATION IN
SUPPORT OF PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS FOR
THE FEDERAL CIRCUIT**

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No. 87-515

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Authority to File

The American Intellectual Property Law Association, Inc. ("AIPLA") respectfully submits this brief as *Amicus Curiae* in support of the petitioner. Pursuant to Rule 36.1 of this Court, consent to the filing of this brief has been granted by all parties, and letters of consent have been filed with the Clerk of the Court.

Interest of the American Intellectual Property Law Association

The American Intellectual Property Law Association, Inc. ("AIPLA") is a national bar association of more than 5400 members of the bars of many of the different states engaged in the practice of the patent, trademark, copyright, licensing, trade secret, and other laws protecting intellectual property rights. The AIPLA membership includes attorneys in private, corporate, and government practice; lawyers associated with universities, small business, and large business; and lawyers active in both the domestic and international transfer of technology and licensing.

The AIPLA has no views on the private interests of the parties to this action, but it is deeply concerned about an issue of public importance created by the decision of the United States Court of Appeals for the Federal Circuit from which review is sought. The sole interest of the AIPLA here is to preserve clarity, definiteness and uniformity in the law, which will benefit members of the bar, the judiciary and, most importantly, the public.

The AIPLA and its members, and, we believe, inventors and innovators, particularly domestic inventors, and the patent system, will be adversely affected on a day-to-day basis by the decision below of the Federal Circuit. The decision eliminates the clear and time-tested judicial standard for determining whether an issued patent should be invalidated pursuant to 35 U.S.C. § 102(b) in favor of vague, subjective, hindsight criteria.

Summary of Argument

(1) The writ should be granted because the decision below will weaken the patent system and will have a chilling effect on invention development in the United States.

(2) The writ should be granted because the Federal Circuit's new rule for invalidating a patent under the "on sale in this country" provision of 35 U.S.C. § 102(b) will seriously jeopardize the patent rights of inventors, particularly domestic inventors.

(3) The Federal Circuit's decision below was plainly wrong; it dismisses the rule that had been followed unanimously by the regional courts of appeal for decades.

(4) Clarification by this Court is needed because no prior decision of this Court has focused on the standard for determining whether a patent should be invalidated when the invention was "on sale in this country".

ARGUMENT

A. The Writ Should Be Granted Because The Decision Below Will Weaken The Patent System And Have A Chilling Effect On Inventive Research In This Country

The controlling statute in this case, 35 U.S.C. § 102(b), is in essence a forfeiture statute. It calls for the invalidation of a U.S. patent if the invention was placed "on sale in this country" prior to a one-year grace period:

A person shall be entitled to a patent unless . . .

(b) the invention was . . . on sale in this country, more than one year prior to the date of application for patent in the United States.

The statutory language requires the invalidating "on sale in this country" to be of the patented *invention*.

Throughout prior patent law jurisprudence, the term "invention" in the context of the "on sale in this country" provision of 35 U.S.C. § 102 has meant a complete embodiment of the invention that has been successfully tested for its intended purpose—i.e., one that has been, in the lexicon of the patent lawyers, "reduced to practice".

Inventors and patent lawyers have heretofore relied on the rule of law that actual reduction to practice was a requirement for any "on sale in this country". An actual reduction to practice can be determined with certainty. Thus, in the early stages of technical development, inventors have not felt pressure to file patent applications on sketchy concepts or minimally developed prototypes which, though offered for sale for development purposes, have not yet been shown to work successfully.

The Federal Circuit has now held that actual reduction to practice is *not* necessary for an invalidating "on sale in this country". The clear reduction to practice standard has been replaced by a new vague rule dependent upon "all of the circumstances":

All of the circumstances surrounding the sale or offer to sell, including the stage of development of the invention and the nature of the invention, must be considered and weighed against the policies underlying

the weight of section 102(b). Petitioner's Brief, Appendix A-19.

Attempted implementation of such a vague guideline will inevitably lead to confusion and uncertainty.

As a result, if the inventor can afford it, he will rush to the Patent Office to file a patent application prematurely with consequent harm to the patent system. As Judge Smith pointed out in his dissenting opinion:

As the technology community will attempt to cope with this decision, it perforce will file more "paper patents": patents on sketchy concepts, before they have been reduced to practice and before the inventor knows whether or how the invention will work, or whether it is worth developing.

* * *

Paper patents, prematurely filed, eviscerate the value of patent disclosures because they necessarily contain untested, speculative details. Paper patents merely add to the clutter of unproved patents in the PTO and in the courts, requiring fees, examinations, lawyers, trials and appeals, all of which disserve both the inventing and the using communities. Petitioner's Brief, Appendix A-39.

— More importantly, the decision below will have a chilling effect on domestic invention reasearch.

In the past, domestic inventors have often chosen to engage in developmental sales of embryonic and unproven invention prototypes to larger and more sophisticated companies in this country to help carry the burden of final research and testing. This frequently occurs in the case of sophisticated "high-tech" equipment. In such cases, an

inventor usually will not have the resources to evaluate the performance of early prototypes and complete his research. Under the previously established law, if there had been no actual reduction to practice, an inventor could participate in developmental sales in this country to advance the inventive process with the assurance that such a developmental sale in this country would not jeopardize his potential patent protection, the primary incentive for his inventing.

The Federal Circuit's new holding eradicates such assurance. Under the decision below, any developmental sale *in this country* is potentially deadly. It may result in forfeiture of all patent rights depending upon later, hindsight evaluation of "all of the circumstances".

As a practical matter, inventors who rely on the patent system as an incentive for their research and on other parties and governmental agencies to complete the research and testing of their products will be pressed to look for such research assistance abroad. Any "on sale" abroad is irrelevant under 35 U.S.C. § 102(b). Advanced research and inventing may be shifted out of this country or abandoned entirely.

Thus, not only will the decision below tend to waste Patent Office resources, it also tends to compromise the purpose of the patent system—the incentive for technological invention *in this country*.

B. The Writ Should Be Granted Because It Is In The Public Interest To Interpret 35 U.S.C. § 102(b) Strictly To Prevent Forfeiture Of The Rights Of Domestic Inventors

The one year grace period in the statute for filing a patent application following “on sale in this country” primarily benefits domestic inventors—citizens of the United States engaged in creative activity that impacts directly on the economic health of the nation.

The “on sale in this country” provision of 35 U.S.C. § 102(b) is limited to activities in the United States. Foreign “on sales” are irrelevant under the statute.

Foreign inventors also enjoy the benefit of a one year grace period by a different statute—35 U.S.C. § 119. Their one year period commences with their foreign application filing date—a fixed and certain date. Any “on sale” by a foreign inventor in his home country is irrelevant.

Domestic inventors, by contrast, should enjoy similar certainty in measuring their grace period. For them, domestic “on sales” are very important.

It is unfair to domestic inventors, and contrary to the public interest, to create a cloud of uncertainty over the heads of domestic inventors regarding when their grace period for filing a patent application commences—whereby a wrong calculation can result in total forfeiture of their patent rights.

The decision below creates such a cloud and should be reversed.

C. The Federal Circuit's Elimination Of The Reduction To Practice Requirement For An "On Sale" Bar Ignores The Rule Followed Unanimously By The Regional Courts Of Appeal

Prior to the creation of the Court of Appeals for the Federal Circuit, virtually every regional court of appeals, when considering the "on sale in this country" bar, emphasized that the invention must have been actually reduced to practice before it could be sold or offered for sale. *See, e.g., Datag, Inc. v. Tokheim Corp.*, 736 F.2d 601, 604-05 (10th Cir. 1984) (acceptance of purchase order is not sufficient when the patentee had not then built or tested a prototype); *Digital Equip. Corp. v. Diamond*, 653 F.2d 701, 718 (1st Cir. 1981) ("An invention cannot be 'on sale' until it is operable and 'reduced to practice' . . ."); *Austin v. Marco Dental Prods., Inc.*, 560 F.2d 966, 969-70 (9th Cir. 1977), *cert. denied*, 435 U.S. 918 (1978); *Timely Prods. Corp. v. Arron*, 523 F.2d 288, 302 (2d Cir. 1975) ("an invention cannot be offered for sale until it is completed, which requires not merely its conception but its reduction to practice").

Prior to the decision below, even the predecessor court of the Federal Circuit, the United States Court of Customs and Patent Appeals, consistently held that "invention" does not exist within the meaning of 35 U.S.C. § 102(b) until it has been actually reduced to practice. *See, e.g., Application of Dybel*, 524 F.2d 1393, 1400-01 (C.C.P.A. 1975).

In the present case, the Federal Circuit recognized but dismissed this unanimity of prior judicial opinion: "The

regional circuits that have considered the question have given lip service to a requirement of reduction to practice as part of the on-sale bar.” Petitioner’s Brief, Appendix A-16 (footnote omitted). This dismissal of well-settled and frequently-reiterated rules of law as “lip service” undermines the policies behind the doctrine of *stare decisis*. As this Court has noted,

Very weighty considerations underlie the principle that courts should not lightly overrule past decisions. Among these are the desirability that the law furnish a clear guide for the conduct of individuals, to enable them to plan their affairs with assurance against untoward surprise; the importance of furthering fair and expeditious adjudication by eliminating the need to relitigate every relevant proposition in every case; and the necessity of maintaining public faith in the judiciary as a source of impersonal and reasoned judgments.

Moragne v. States Marine Lines, Inc., 398 U.S. 375, 404 (1970).

In creating the Federal Circuit and conferring exclusive appellate jurisdiction upon it over most cases in which issues of patent law arise, Congress intended that that court provide greater uniformity in the development and application of patent law. *Cf. United States v. Hohri*, 107 S.Ct. 2246, 2251-52 (1987). It was not the intent of Congress that the Federal Circuit have a license to overturn settled rules of patent law as to which there were no prior conflicts. Indeed, for the Federal Circuit to do so would be contrary to the expressed intent of Congress that patent rights be made “more stable and predictable.” H.R. Rep. No. 97-312, 97th Cong., 1st Sess. (1981).

Contrary to the legislative intent, the Federal Circuit has now acted to overturn well established patent law and cause uncertainty and confusion. Review by this Court is needed.

D. This Court Has Not Yet Spoken On The Standards For Determining When An Invention Is "On Sale In This Country"

Since at least 1839, the United States patent laws have provided that an inventor is barred from obtaining a patent on an invention that has been "in public use or on sale in this country" for a specified period of time prior to the filing of a patent application on that invention. This Court has interpreted and applied this "loss of right" provision in numerous cases, the last occasion being in 1939. *Electric Storage Battery Co. v. Shimadzu*, 307 U.S. 5 (1939). However, the Court has never discussed the policies behind and standards for the "on sale" bar, instead focusing its attention on the "public use" bar.

The lower courts have been concerned with the distinct interpretative problems raised by the "on sale in this country" bar for at least 75 years. See *McCreery Engineering Co. v. Massachusetts Fan Co.*, 195 F. 498 (1st Cir. 1912); *Philco Corp. v. Admiral Corp.*, 199 F. Supp. 797 (D.Del. 1961). See generally Note, *New Guidelines for Applying the On Sale Bar to Patentability*, 24 Stan. L. Rev. 730 (1972). It is time that this Court provide guidance on this important provision of the patent law to the Federal Circuit, the district courts, and the Patent and Trademark Office and to inventors, businesses, government agencies and universities that obtain or are affected by patent rights.

Conclusion

For all of the reasons appearing above, the writ should be granted.

Respectfully submitted,

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APPENDIX



PATENT ACT OF 1952

United States Code, Title 35

Section 102. Conditions for patentability; novelty and loss of right to patent

A person shall be entitled to a patent unless—

(a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States or

(c) he has abandoned the invention, or

(d) the invention was first patented or caused to be patented, or was the subject of an inventor's certificate, by the applicant or his legal representatives or assigns in a foreign country prior to the date of the application for patent in this country on an application for patent or inventor's certificate filed more than twelve months before the filing of the application in the United States, or

(e) the invention was described in a patent granted on an application for patent by another filed in the United States before the invention thereof by the applicant for patent, or on an international application by another who has fulfilled the requirements of paragraphs (1), (2), and (4) of section 371(c) of this title before the invention thereof by the applicant for patent, or

(f) he did not himself invent the subject matter sought to be patented, or

(g) before the applicant's invention thereof the invention was made in this country by another who had not abandoned, suppressed, or concealed it. In determining priority of invention there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other.

Section 119. Benefit of earlier filing date in foreign Country, right of priority

An application for patent for an invention filed in this country by any person who has, or whose legal representatives or assigns have, previously regularly filed an application for a patent for the same invention in a foreign country which affords similar privileges in the case of applications filed in the United States or to citizens of the United States, shall have the same effect as the same application would have if filed in this country on the date on which the application for patent for the same invention was first filed in such foreign country, if the application in this country is filed within twelve months from the earliest date on which such foreign application was filed; but no patent shall be granted on any application for patent for an invention which had been patented or described in a printed publication in any country more than one year before the date of the actual filing of the application in this country, or which had been in public use or on sale in this country more than one year prior to such filing.

No application for patent shall be entitled to this right of priority unless a claim therefor and a certified copy of

the original foreign application, specification and drawings upon which it is based are filed in the Patent and Trade-mark Office before the patent is granted, or at such time during the pendency of the application as required by the Commissioner not earlier than six months after the filing of the application in this country. Such certification shall be made by the patent office of the foreign country in which filed and show the date of the application and of the filing of the specification and other papers. The Commissioner may require a translation of the papers filed if not in the English language and such other information as he deems necessary.

In like manner and subject to the same conditions and requirements, the right provided in this section may be based upon a subsequent regularly filed application in the same foreign country instead of the first filed foreign application, provided that any foreign application filed prior to such subsequent application has been withdrawn, abandoned, or otherwise disposed of, without having been laid open to public inspection and without leaving any rights outstanding, and has not served, nor thereafter shall serve, as a basis for claiming a right of priority.

Applications for inventors' certificates filed in a foreign country in which applicants have a right to apply, at their discretion, either for a patent or for an inventor's certificate shall be treated in this country in the same manner and have the same effect for purpose of the right of priority under this section as applications for patents, subject to the same conditions and requirements of this section as apply to applications for patents, provided such applicants are entitled to the benefits of the Stockholm Revision of the Paris Convention at the time of such filing.